

Public Utilities Commission of Ohio
Asim Z. Haque, Chairman

Senate Finance General Government & Agency Review Subcommittee
FY2018-FY2019 Biennial Budget

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Introduction

Chairman Jordan, Vice-Chairman O'Brien, and members of the Senate Finance General Government and Agency Review Subcommittee, good morning. My name is Asim Haque. I have the honor of serving this state as chairman of the Public Utilities Commission of Ohio (PUCO). I appreciate the opportunity to address the committee regarding the PUCO's portion of Governor Kasich's proposed biennial budget. With me today are several members of my leadership team, they will be able to assist me in answering any specific questions you may have following my testimony.

PUCO Overview

The PUCO is governed by a chairman and four commissioners, each is appointed by the governor to staggered, five-year terms. The chairman serves as the chief executive officer of the PUCO. The governor's selection is made from a list of names submitted by the PUCO Nominating Council, a separate 12-member panel charged with screening commissioner candidates. We employ a staff of approximately 300 professionals that include accountants, auditors, engineers, economists, investigators and attorneys who assist us in meeting our goals and serving the public. The Commission is the only state agency charged with ensuring that essential utility services are safe, reliable and cost effective.

The PUCO oversees public utility industries, including electric, natural gas, pipelines, landline telephone, privately-owned water, railroad, hazardous material carriers and commercial transportation carriers, including buses, towing companies and household goods carriers. Some of the more recent regulatory responsibilities include administering the Underground Technical Committee, expanded rate setting in the towing industry, and registering companies operating as transportation network companies like Uber and Lyft.

In addition to my executive responsibilities at the PUCO, I also serve as chairman of the Ohio Power Siting Board (OPSB), which is the state entity that approves the installation of electric generating facilities; both electric and natural gas transmission infrastructure; and economically significant wind farms throughout Ohio. The OPSB process warrants a high level of scrutiny by staff and its agencies. The standard review process can take anywhere from six to nine months depending on the size and scope of the project. For example, a standard siting review might include the potential geographic risks associated with installing a natural gas combined cycle plant.

Through the PUCO Consumer Call Center, the formal complaint process, and implementation of utility regulations, the PUCO is the only state agency that serves all classes of utility customers – commercial, industrial and residential. The PUCO sets service standards to protect utility customers from such things as poor service quality, unfair denial or disconnection of service, or long waits for repair or installation of service. The PUCO monitors compliance with these standards through customer complaints, informal and formal, and on-site utility inspections. When violations are found, only the Commission can order corrective action to be taken and may fine utilities for non-compliance.

The work of the PUCO has an impact on every Ohioan, everyday. Before delving into our budget overview, I'd like to highlight a few areas where the PUCO has consistently and efficiently served the best interest of all Ohioans.

The PUCO Consumer Call Center is our direct link to the public. Each day, callers across Ohio contact PUCO customer service representatives seeking assistance with utility issues. Each year, the call center receives tens of thousands of contacts. Our call center is staffed with over 30 full-time customer service professionals, and the average consumer call-in wait time is around 13 seconds. In calendar year 2016, the Call Center received 74,860 contacts resulting in 10,600 investigations and a consumer savings of over \$1.7 million. The PUCO is the only state agency with the jurisdiction to effectuate an outcome on behalf of Ohio consumers and businesses.

Every year, in order to help vulnerable Ohioans through the winter heating season, the PUCO issues the Winter Reconnect Order. This allows customers who have had their home heating service disconnected for nonpayment or who face disconnection as a result of nonpayment the opportunity to pay a maximum of \$175, plus a reconnection fee, to restore or maintain their utility service. The reconnect order may be used once per heating season. During the 2015-2016 heating season, more than 246,000 consumers utilized the Winter Reconnect Order.

Ohio is home to 120 individual pipeline operators who maintain over 56,000 miles of distribution lines, 9,000 miles of transmission lines and over 1,200 miles of gathering lines. The PUCO employs field inspectors who perform compliance inspections of gas pipeline operators to ensure they are following design, construction, operation and maintenance safety regulations.

In 2015, House Bill 64 required the PUCO to establish a collaborative process to address the telephone network transition. The PUCO brought together the Ohio Consumers' Counsel, incumbent telephone providers, alternative providers, and members of the General Assembly

with the purpose of addressing the future transition from basic landline telephone service to Internet-based service. The collaborative is evaluating the availability of comparable telecommunications services, identifying possible vulnerable Ohioans and developing expectations for consumer education. In 2016, the collaborative group met six times exploring various issues such as service reliability and consumer protections.

The PUCO ensures the safety of over 5,700 public railroad crossings and works with the Federal Railroad Administration (FRA) to assist in providing oversight of approximately 5,300 miles of railroad track. Improving safety is a vital part of this mission. In 2016, a total of 98 federal, state and locally funded safety upgrades were ordered, including the installation of lights and gates, supplemental assistance upgrades, circuitry upgrades and closings.

The PUCO serves as the lead agency for the Motor Carrier Safety Assistance Program and in this capacity partners with the Ohio State Highway Patrol (OSHP) to ensure that commercial motor vehicles are safely traveling throughout Ohio. PUCO and OSHP inspectors conducted more than 85,014 driver/vehicle inspections during fiscal year 2016. Each inspection follows a thorough process to ensure that the driver and vehicle meet necessary state and federal regulations. In addition, the PUCO conducted 376 motor carrier and shipper investigations to ensure proper state and federal safety and hazardous materials regulations are followed. PUCO staff worked with more than 927 new motor carriers during fiscal year 2016 to help them understand and comply with applicable safety and hazardous materials regulations. Vehicles, drivers and companies that fail to meet these regulations may be declared out-of-service and cannot continue operating until they comply with the regulations.

Each year, the PUCO awards hazardous materials training grants to be used to train public safety and emergency service responders in Ohio. The PUCO awards hazardous materials planning and training grants to local government subdivisions, educational institutions and state agencies in Ohio. Individual grants are based upon applications to the PUCO and are awarded on a reimbursement basis. In 2016, the PUCO awarded 10 hazardous materials training grants totaling \$249,596 to train more than 1,700 people in Ohio.

Lastly, I am proud of the PUCO's work to support minority businesses. Each year Governor Kasich has challenged state agencies to commit at least 15 percent of expenses towards minority business enterprises. For the third year in a row, the PUCO is proud to have greatly surpassed that requirement, achieving a set-aside of 37 percent in fiscal year 2016.

Budget Overview

Governor Kasich's executive budget recommended \$54.77 million for FY2018 and \$55.57 million for FY2019. This, however, has since been modified in the version of the budget which you have before you today. Several impactful funding cuts were made to the PUCO's original request in Substitute House Bill 49. The proposed approximate 12 percent cut over the biennium will negatively impact the PUCO's ability to effectively serve Ohio's public utility consumers, and the businesses we regulate; to assist in funding railroad grade crossing safety improvements for local communities; and to monitor and inspect the trucking industry in order to ensure safety for all who travel Ohio's highways.

Specifically, I would like to draw your attention to two funds which support the majority of our work: 1) Fund 5F60 (ALI 870622 Utility and Railroad Regulation); 2) and, Fund 5LTO (ALI 870645 Motor Carrier Enforcement).

As background, it is important to note that the PUCO is a completely self-supporting agency and does not receive appropriations from the General Revenue Fund (GRF). Our budget is supported by revenues derived through assessments to utilities, fees generated by intrastate and interstate motor carrier registrations, fines and federal funding. While the PUCO assessment appropriation has no impact on the GRF and is not available for general use, in the past biennium, the PUCO contributed over \$3 million to the GRF through utility forfeitures and transportation carrier fines collected above our appropriation authority.

As the sole agency responsible for regulation of Ohio's utilities industries, the PUCO employs highly technical staff, including accountants, mathematicians, engineers, economists, and lawyers. As it is anticipated that significant employee retirements (25 percent currently eligible, 40 percent eligible in five years) will occur, the PUCO's original budget request accounted for maintaining necessary staffing levels and requisite training in the technical expertise required to effectively regulate utilities. This planning was in light of adjusted staffing levels from 380 to 306 since 2011.

The PUCO's original proposal also accounted for an investment in information technology (IT) modernization necessitated by years of under investment. In particular, the IT modernization plan includes a focus on increased business-friendly online services to allow for things like online payments and investment in IT applications that are no longer able to be supported due to age. For example, motor carriers can pay fees online; however, the current process adds a significant convenience fee for the customer which serves as a disincentive for many. For most other fee payments, the PUCO does not currently offer an online payment option. In addition,

many PUCO customers are required to submit data via paper or electronic spreadsheets, which are then entered into a PUCO data system. These dated business processes are burdensome for customers of all types, as well as pose a risk of error to business information maintained by the PUCO. I hope these examples show you just how critical it is that these staffing and technology projects receive your continued support over the next biennium. Again, the Utility and Railroad Regulation and Motor Carrier Enforcement funds are the two most vital to this effort.

Grid Modernization

House Bill 49 proposes several policy changes sought by the PUCO. These concepts were proposed in order to better serve our customers in the business and non-business community alike. To that end, I would like to talk about our first policy proposal: the modernization of Ohio's electric distribution grid.

The legislative proposal updates the competitive retail electric policy statute to provide guidance to the State of Ohio on enhancing and modernizing the electric distribution grid. This is important due to the rapidly evolving electric utility environment. Not only will this policy further guide the PUCO and industry into evaluating what the next iteration of utility regulation and service will be, it will set the tone and stage for innovation in this utility space that would last for decades. It is also worth mentioning that the PUCO is not requesting any additional funds to support this proposal.

Under the grid modernization policy proposal, the PUCO is directed to explore the latest and greatest in innovation to the electric distribution grid. This includes technologies such as battery storage, advanced metering infrastructure, electric distribution automation, associated rate design, and any other available regulatory innovations. We have already taken active steps to advance this endeavor.

The PUCO recently kicked off an initiative called PowerForward — a PUCO review of the latest in technological and regulatory innovation, to enhance the customer electricity experience. Through this initiative we intend to chart a path forward for future grid modernization projects, innovative regulations and forward-thinking policies.

Lifeline Services Alignment with Federal Regulations

It is important to note that some of the regulatory responsibilities of the PUCO are guided by policies adopted and modified by federal agencies. One such role of the PUCO is to administer

portions of the Federal Communications Commission's (FCC) Lifeline program. The Lifeline program is a federal program that provides for a monthly discount of \$9.25 through the federal Universal Service Fund on landline and wireless phone service to eligible residential low-income households.

The proposed change before you would make Ohio law consistent with federal regulations and updates statutory language to reflect that Lifeline services are now provided through both landlines and wireless providers. Customers may apply the Lifeline discount to a variety of service offerings and packages.

Ohio's Lifeline income eligibility threshold is at 150 percent of the federal poverty level. In April of 2016, an FCC Lifeline reform clarified that states without their own Lifeline fund must comply with the federal Lifeline income eligibility threshold of 135 percent of the federal poverty level. Therefore, the as-introduced version of the budget proposed language aligns the Ohio level with the federal level.

In addition, our proposed language brings eligibility timeframes in line with the federal standards. Our proposal would simply align our statutes with the federal standard.

Electric Transmission System

Separately, but also with a goal of supporting the practical development of electric infrastructure in Ohio is our next policy initiative. The Ohio Power Siting Board (OPSB) was established with the purpose of supporting sound energy policies that provide for the installation of generation facilities and transmission infrastructure for the benefit of Ohioans; promoting the state's economic interests; and protecting the environment and land use. This proposal simplifies the siting process in Ohio for intrastate projects that fall under 125 kilovolt (kV), which is consistent with the approval of interstate projects under the Federal Energy Regulatory Commission's (FERC) authority. Currently, FERC considers the electric transmission system to consist generally of transmission lines and associated facilities at 100 kV and above, while, in Ohio pursuant to state statute, intrastate projects that fall below 125 kV must seek approval from local jurisdictions, individually. Aligning state definitions of the electric transmission system with federal law will eliminate possible confusion and allow applicants to utilize the streamlined processes of the Ohio Power Siting Board. Our proposal to change Ohio's statute to define intrastate electric transmissions systems as 100 kV and above would also bring us in line with other states in the PJM Interconnection, the regional electric grid operator.

Additionally, without materially changing the Ohio Environmental Protection Agency's (Ohio EPA) jurisdiction over facilities' compliance with air, water, solid waste and aviation standards, our proposal removes some obsolete references to the Ohio EPA power siting jurisdiction from when they were the chair of the former Ohio Power Siting Commission in the 1970s. This will eliminate possible confusion for the industry, while leaving it clear that the OPSB is responsible for enforcing the conditions of a certificate for the life of a facility and that Ohio EPA still has jurisdiction to enforce their statutes. As a member of the OPSB, the Ohio EPA plays a large role in the approval of OPSB projects and will operate in the same capacity with this modification.

Uniform Hazardous Material Transportation Program

In an effort to be more business friendly, while maintaining our mission of ensuring Ohioans' safety, the uniform hazardous transportation program proposal is designed to remove an unnecessary, duplicative commercial motor vehicle hazardous material registration requirement with Ohio and the U.S. Department of Transportation. The Pipeline and Hazardous Materials Safety Administration, or PHMSA, currently requires transporters of certain quantities and types of hazardous materials, including hazardous wastes, to register annually.

To simplify the registration process for motor carriers, the PUCO proposes to eliminate the additional state registration requirement. To be clear, state and federal safety requirements for the transporting of hazardous goods will remain in place.

While eliminating this requirement will also result in a reduction in PUCO revenue by approximately \$400,000 per year in hazardous materials registrations, the expenditures related to hazardous materials enforcement activities will continue to be sufficiently funded through the motor carrier enforcement registration fees. A percentage of the hazardous materials registration revenue traditionally funds the hazardous materials incident response grant program made available to local governments. These grants go towards the training of public safety and emergency services personnel in the proper techniques for the management of hazardous materials spills and releases that occur during transportation. The PUCO plans to continue funding this grant program at existing levels.

Commercial Vehicle Civil Forfeiture Process

This next proposal modernizes Ohio's outdated commercial motor vehicle civil forfeiture procedures prescribed by the Commercial Vehicle Safety Alliance (CVSA) state model.

The CVSA is a non-profit organization that acts as an advisory body for state commercial motor vehicle safety inspection standards. Ohio has historically adopted CVSA recommendations for out-of-service criteria and fine schedules. However, while every state adopted the out-of-service criteria, only a handful elected to utilize the fine structure. Consequently, the CVSA has chosen not to maintain or update the uniform fine schedule due to a lack of state adoption in over 20 years.

This proposal would eliminate the requirement that the PUCO utilize the CVSA methodology for assessing motor carrier fines and enable the PUCO to maintain updated civil forfeitures by administrative rule in order to promote safety of commercial motor vehicles on Ohio's roadways.

The goal is to establish a more Ohio-centric fine schedule with the input of the industries we regulate.

Conclusion

The PUCO provides crucial and essential services to the citizens of Ohio; and as chairman, I consider it the agency's obligation to carry out our wide scope of responsibilities in the most innovative and efficient way possible.

Chairman Jordan, Vice-Chairman O'Brien, and members of the Senate Finance General Government and Agency Review Subcommittee, thank you for allowing me to testify. I would be happy to answer any questions you may have.